

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Telecommunications Relay Services and	)	CG Docket No. 03-123
Speech-to-Speech Services for	)	
Individuals with Hearing and Speech Disabilities	)	

**REPLY COMMENTS OF STI PREPAID, LLC**

STi Prepaid, LLC (“STi Prepaid”),<sup>1/</sup> by its attorneys, hereby files its Reply Comments pursuant to the Public Notice issued by the Federal Communications Commission (“Commission”) in the above-captioned proceeding concerning the proposed annual payment formula for the Interstate Telecommunications Relay Service (“TRS”) Fund.<sup>2/</sup> If adopted, the contribution factors proposed by the National Exchange Carrier Association (“NECA”) could almost double STi Prepaid’s current contribution to the Fund. NECA has not demonstrated that such a radical increase in the TRS Fund is necessary.

In addition, international revenues should be excluded from the revenue base used to calculate payments due to the TRS Fund, at least for those carriers whose international revenues comprise a significant portion of their total interstate and international revenues consistent with the Limited International Revenue Exemption (“LIRE”) applied for purposes of calculating universal service fund (“USF”) contributions. Accordingly, STi Prepaid supports the comments

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<sup>1/</sup> STi Prepaid acquired the assets of Telco Group, Inc. (“Telco Group”) and has received approval to acquire the assets of Dialaround Enterprises Inc. (“DEI”). Telco Group offered and DEI currently offers long distance services, including one-plus services, dial-around (10-10) calling, and prepaid calling cards.

<sup>2/</sup> *National Exchange Carrier Association (NECA) Submits the Payment Formula and Fund Size Estimates for the Interstate Telecommunications Relay Services (TRS) Fund for the July 2007 through June 2008 Fund Year*, CG Docket No. 03-123, Public Notice, DA 07-1978 (rel. May 2, 2007).

filed by Verizon asking the Commission to freeze the current rates while the Commission decides the outstanding issues in its pending rulemaking proceeding addressing the TRS Fund, or in the alternative, the comments filed by AT&T asking the Commission to apply the surplus monies in the Fund to offset the current funding requirements.

## **DISCUSSION**

In July 2004, Telco Group submitted a Petition for Declaratory Ruling, or in the Alternative, a Petition for Waiver, requesting that the Commission issue a declaratory ruling excluding international revenues from the revenue base used to calculate payments due the TRS Fund, at least for those carriers whose international revenues comprise a significant proportion of their total interstate and international revenues (“Telco Petition”).<sup>3/</sup> In the alternative, Telco Group asked that the Commission find good cause to extend a waiver to Telco Group allowing it to exempt such revenues when calculating its TRS Fund payment obligations. In May 2006, the Consumer & Governmental Affairs Bureau denied the Telco Petition.<sup>4/</sup> In June 2006, Telco Group filed an Application for Review of the Bureau’s decision, which is still pending.<sup>5/</sup>

A significant percentage of STi Prepaid’s revenues are from international services. The Commission has broadly defined “interstate” revenues to include international revenues without any justification for including international within the definition of “interstate.” As a result, STi Prepaid is required to contribute a very sizeable percentage of the total fund, even though it is a very small player in the U.S. market, which has thousands of other carriers who should be

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<sup>3/</sup> Telco Group, Inc., Petition for Declaratory Ruling, or in the Alternative, Petition for Waiver, CC Docket No. 98-67 (filed July 26, 2004) (“Telco Petition”).

<sup>4/</sup> *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Declaratory Ruling on Reconsideration, 21 FCC Rcd 5962 (2006).

<sup>5/</sup> Telco Group, Inc. Application for Review, CG Docket No. 03-123 (filed June 26, 2006).

sharing a greater portion of this burden. When reviewed in connection with the size of the TRS Fund, this heavy fee burden is disproportionately large compared to the obligations of other carriers in the market and places STi Prepaid at a serious competitive disadvantage.

The Telco Petition also demonstrated that the Commission's approach to TRS Fund contributions is not consistent with the approach it takes in the analogous universal service context. For purposes of USF contributions, international revenues are properly excluded from USF assessments under the LIRE if interstate revenues are less than twelve percent (12%) of the carrier's total interstate and international revenues.<sup>6/</sup> The Commission should apply the same or a similar rule to the TRS Fund.

NECA's current funding proposal for the 2007-2008 funding year places an even greater inequitable burden on STi Prepaid. NECA has proposed a contribution factor ranging from 0.0052 to 0.0075, and a Fund size requirement ranging from \$397.0 million to \$575.4 million. This represents nearly a fifty percent increase in the Funding requirements from the prior fund year, and would almost double STi Prepaid's contribution requirements. The disproportionate application of funding increases such as this present a substantial impediment to the future delivery of services by STi Prepaid. The Commission should ensure healthy telecommunications competition by excluding international revenues from the revenue base used to calculate payments due to the TRS Fund for carriers whose international revenues comprise a significant proportion of their total interstate and international revenues.

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<sup>6/</sup> 47 C.F.R. § 54.706(c). The rule stems from a Fifth Circuit Court of Appeals decision finding that including international revenues in such circumstances was inequitable and discriminatory and violated the Commission's own principle of competitive neutrality, and that the "heavy inequity the rule places on COMSAT and similarly situated carriers cannot simply be dismissed by the agency as a consequence of its administrative discretion." *Texas Office of Public Utility Counsel v. FCC*, 183 F.3d 393, 434-35 (5th Cir. 1999).

For these reasons, STi Prepaid supports the comments of Verizon and AT&T. Verizon argues that the Commission should freeze the current TRS Fund rates until the Commission reaches a decision in its pending rulemaking proceeding regarding the establishment of rates for TRS services.<sup>7/</sup> It would be a waste of Commission resources to adopt new funding requirements now only to change them when it takes action on the pending rulemaking, especially when the result has such a disparate impact on small carriers. Moreover, the Commission should address the issues raised in the Telco Petition and the Application for Review before imposing increased contribution requirements on providers like STi Prepaid.

In the alternative, the Commission should apply the approximately \$45 million surplus expected to remain at the end of the current fund year to reduce the proposed 2007-2008 TRS Fund requirement as suggested by AT&T.<sup>8/</sup> In light of the tremendous pressure that increased TRS contribution requirements place on carriers like STi Prepaid, retaining an unnecessary surplus would “seriously prejudice Fund contributors that, as a result, overpay during the current funding period.”<sup>9/</sup> Adoption of AT&T’s approach, however, is not a substitute for the Commission taking long-term action to remedy the problems identified in the Telco Petition regarding the disproportionately large burden placed on STi Prepaid, which is required to contribute to the TRS Fund on the basis of all of its international revenues.

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<sup>7/</sup> Verizon at 2; *see also Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Further Notice of Proposed Rulemaking, 21 FCC Rcd 8379 (2006).

<sup>8/</sup> AT&T at 2.

<sup>9/</sup> AT&T at 4.

## CONCLUSION

For the foregoing reasons, STi Prepaid respectfully requests that the Commission maintain the current contribution rates for the TRS Fund while it considers the issues in its pending rulemaking proceeding and until it addresses the issue of whether certain international revenues should be excluded when calculating contribution requirements. In the alternative, STi Prepaid supports AT&T's request that the current surplus in the TRS Fund be used to offset the funding requirements for 2007-2008.

Respectfully submitted,

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